

# PERAC AUDIT REPORT



## Dedham Contributory Retirement System

JAN. 1, 2003 - DEC. 31, 2005 / PERAC 05-31



## **TABLE OF CONTENTS**

Letter from the Executive Director.....	1
Explanation of Findings and Recommendations.....	2
Statement of Ledger Assets and Liabilities.....	3
Statement of Changes in Fund Balances.....	4
Statement of Income.....	5
Statement of Disbursements.....	6
Investment Income.....	7
Statement of Allocation of Investments Owned.....	8
Supplementary Investment Regulations.....	9
<u>Notes to Financial Statements:</u>	
Note 1 – The System.....	10
Note 2 – Significant Accounting Policies .....	11
Note 3 – Supplementary Membership Regulations.....	12
Note 4 – Administration of the System.....	14
Note 5 – Actuarial Valuation and Assumptions.....	15
Note 6 – Membership Exhibit.....	16

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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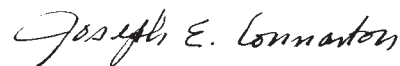
December 21, 2006

The Public Employee Retirement Administration Commission has completed an examination of the Dedham Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2003 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiner Martin J. Feeney who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## **Dedham Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **1. Cash:**

The Treasurer's Office is not providing the Retirement Board with a monthly bank reconciliation. Retirement Board staff prepare independent reconciliations, but since they also handle deposits and prepare checks, the required separation of duties is not evident. Sound internal control procedures would dictate that all bank accounts be reconciled by someone other than the employee who receives and/or disburses cash.

**Recommendation:** The Town Treasurer shall be the custodian of the retirement system's funds according to G.L. c. 32, § 23(2) (a). As custodian of the retirement fund, the Treasurer is obligated to perform a monthly reconciliation of all retirement system cash accounts. This process is necessary to maintain proper internal control of the retirement system and must be completed in a timely manner. The Treasurer's Office should forward the reconciliation to the Retirement Board for review and make adjustments to accounts, if necessary. If the Retirement Board does not receive future completed reconciliations by the end of the following month, it should formally request the reconciliation in writing from the Treasurer's Office.

##### **2. Membership:**

The System calculates retirement benefits by relying on the contributions members made to the System as the primary source for the three-year average salary component. No department-head or supervisor approval was noted. Verification of payroll information was not evident in the files inspected.

**Recommendation:** Actual payroll records should be used when calculating retirement benefits as required under G.L. c. 32, § 5. The Board should require that department heads review and confirm the payroll records of prospective retirees. Confirming retirement benefits with actual payroll records serves the related purpose of verifying that members' records are maintained accurately on an on-going basis by the Retirement Board. Calculating earnings solely from the amount of contributions attributed to a member may result in some discrepancy in the benefit to which the member is entitled. PERAC strongly suggests the Board perform a comprehensive review of retirements calculated using this alternative method. Revisions identified as a result of this review must be submitted to PERAC for approval.

##### **Final Determination:**

***PERAC audit staff will follow up in six (6) months to ensure that appropriate actions have been taken regarding all findings.***

## Dedham Retirement System

### STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1,2003  
AND ENDING DECEMBER 31, 2005**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Cash	\$117,856	\$2,703	\$1,215,394
PRIT Cash Fund	99,367	110,699	300,260
PRIT Core Fund	76,007,768	68,358,742	59,375,626
Interest Due and Accrued	0	0	0
Accounts Receivable	5,177	163,218	4,348
Accounts Payable	(302)	(324)	(922)
<b>TOTAL</b>	<b><u>\$76,229,866</u></b>	<b><u>\$68,635,038</u></b>	<b><u>\$60,894,706</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$13,938,433	\$13,054,986	\$12,707,515
Annuity Reserve Fund	5,885,526	5,889,653	5,484,756
Pension Fund	0	0	0
Military Service Fund	1,543	1,506	1,469
Expense Fund	0	0	0
Pension Reserve Fund	<u>56,404,364</u>	<u>49,688,893</u>	<u>42,700,966</u>
<b>TOTAL</b>	<b><u>\$76,229,866</u></b>	<b><u>\$68,635,038</u></b>	<b><u>\$60,894,706</u></b>

## Dedham Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2003)</b>	\$12,502,459	\$4,982,136	\$0	\$1,433	\$0	\$31,736,021	<b>\$49,222,049</b>
Receipts	1,411,854	158,406	3,233,369	36	320,206	11,903,327	<b>17,027,198</b>
Interfund Transfers	(926,325)	945,477	919,230	0	0	(938,382)	<b>0</b>
Disbursements	(280,473)	(601,263)	(4,152,599)	0	(320,206)	0	<b>(5,354,541)</b>
<b>Ending Balance (2003)</b>	<b>12,707,515</b>	<b>5,484,756</b>	<b>0</b>	<b>1,469</b>	<b>0</b>	<b>42,700,966</b>	<b>60,894,706</b>
Receipts	1,512,176	170,866	3,391,403	37	361,478	8,118,464	<b>13,554,424</b>
Interfund Transfers	(900,518)	900,518	1,130,536	0	0	(1,130,536)	<b>0</b>
Disbursements	(264,188)	(666,487)	(4,521,939)	0	(361,478)	0	<b>(5,814,092)</b>
<b>Ending Balance (2004)</b>	<b>13,054,985</b>	<b>5,889,653</b>	<b>0</b>	<b>1,506</b>	<b>0</b>	<b>49,688,894</b>	<b>68,635,038</b>
Receipts	1,618,725	174,275	3,521,141	38	486,576	7,884,888	<b>13,685,643</b>
Interfund Transfers	(515,207)	515,618	1,169,007	0	0	(1,169,418)	<b>0</b>
Disbursements	(220,071)	(694,020)	(4,690,148)	0	(486,576)	0	<b>(6,090,815)</b>
<b>Ending Balance (2005)</b>	<b><u>\$13,938,432</u></b>	<b><u>\$5,885,526</u></b>	<b><u>\$0</u></b>	<b><u>\$1,544</u></b>	<b><u>\$0</u></b>	<b><u>\$56,404,364</u></b>	<b><u>\$76,229,866</u></b>

# Dedham Retirement System

## STATEMENT OF INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$1,444,545	\$1,312,548	\$1,234,430
Transfers from other Systems	87,909	86,627	50,624
Member Make Up Payments and Redeposits	10,023	40,879	8,948
Investment Income Credited to Member Accounts	76,248	72,122	117,852
<b>Sub Total</b>	<b><u>1,618,725</u></b>	<b><u>1,512,176</u></b>	<b><u>1,411,854</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<b><u>174,275</u></b>	<b><u>170,866</u></b>	<b><u>158,406</u></b>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	91,961	87,391	73,301
Received from Commonwealth for COLA and Survivor Benefits	222,671	270,057	213,862
Pension Fund Appropriation	<u>3,206,509</u>	<u>3,033,955</u>	<u>2,946,206</u>
<b>Sub Total</b>	<b><u>3,521,141</u></b>	<b><u>3,391,403</u></b>	<b><u>3,233,369</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>38</u>	<u>37</u>	<u>36</u>
<b>Sub Total</b>	<b><u>38</u></b>	<b><u>37</u></b>	<b><u>36</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>486,577</u>	<u>361,478</u>	<u>320,206</u>
<b>Sub Total</b>	<b><u>486,577</u></b>	<b><u>361,478</u></b>	<b><u>320,206</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	3,033	2,119	1,767
Miscellaneous Income	10	0	9,000
Interest Not Refunded	2,698	4,234	3,109
Excess Investment Income	<u>7,879,146</u>	<u>8,112,111</u>	<u>11,889,450</u>
<b>Sub Total</b>	<b><u>7,884,887</u></b>	<b><u>8,118,464</u></b>	<b><u>11,903,326</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$13,685,643</u></b>	<b><u>\$13,554,424</u></b>	<b><u>\$17,027,197</u></b>

# Dedham Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>Annuity Savings Fund:</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Refunds to Members	\$108,417	\$145,071	\$190,316
Transfers to other Systems	<u>111,654</u>	<u>119,117</u>	<u>90,157</u>
<b>Sub Total</b>	<b><u>220,071</u></b>	<b><u>264,188</u></b>	<b><u>280,473</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	694,020	647,292	594,851
Option B Refunds	<u>0</u>	<u>19,195</u>	<u>6,412</u>
<b>Sub Total</b>	<b><u>694,020</u></b>	<b><u>666,487</u></b>	<b><u>601,263</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	2,881,417	2,739,975	2,492,463
Survivorship Payments	276,491	275,561	255,166
Ordinary Disability Payments	212,452	209,409	169,099
Accidental Disability Payments	902,364	886,269	837,770
Accidental Death Payments	232,856	229,755	226,200
Section 101 Benefits	33,925	32,937	33,335
3 (8) (c) Reimbursements to Other Systems	150,643	148,033	138,566
State Reimbursable COLA's Paid	<u>0</u>	<u>0</u>	<u>0</u>
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>4,690,148</u></b>	<b><u>4,521,939</u></b>	<b><u>4,152,599</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who			
Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Fiduciary Insurance	3,379	3,254	0
Salaries	62,940	59,996	57,969
Legal Expenses	5,716	2,334	2,023
Rent Expense	10,428	9,697	0
Travel Expenses	3,348	2,026	4,302
Administrative Expenses	3,284	5,176	32,203
Furniture and Equipment	<u>0</u>	<u>2,639</u>	<u>1,289</u>
Management Fees	388,922	259,606	222,421
Service Contracts	8,559	16,750	0
<b>Sub Total</b>	<b><u>486,576</u></b>	<b><u>361,478</u></b>	<b><u>320,207</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$6,090,815</u></b>	<b><u>\$5,814,092</u></b>	<b><u>\$5,354,542</u></b>

# Dedham Retirement System

## INVESTMENT INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Investment Income Received From:</b>			
Cash	\$20,082	\$3,453	\$18,089
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	2,308,006	2,110,851	1,705,297
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>2,328,088</u></b>	<b><u>2,114,304</u></b>	<b><u>1,723,386</u></b>
<b>Plus:</b>			
Realized Gains	4,358,878	4,152,249	1,582,845
Unrealized Gains	7,270,594	5,865,380	10,411,941
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>11,629,472</u></b>	<b><u>10,017,629</u></b>	<b><u>11,994,786</u></b>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	0	0	(139,419)
Unrealized Loss	(5,341,278)	(3,415,320)	(1,092,803)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>(5,341,278)</u></b>	<b><u>(3,415,320)</u></b>	<b><u>(1,232,222)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>8,616,282</u></b>	<b><u>8,716,613</u></b>	<b><u>12,485,950</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	76,248	72,122	117,852
Annuity Reserve Fund	174,275	170,866	158,406
Military Service Fund	38	37	36
Expense Fund	<u>486,576</u>	<u>361,478</u>	<u>320,206</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>737,137</u></b>	<b><u>604,503</u></b>	<b><u>596,500</u></b>
Net Investment Income	<u>8,616,282</u>	<u>8,716,613</u>	<u>12,485,950</u>
Less: Total Income Required	<u>737,137</u>	<u>604,503</u>	<u>596,500</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$7,879,145</u></b>	<b><u>\$8,112,110</u></b>	<b><u>\$11,889,450</u></b>

## Dedham Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE PERIOD ENDING DECEMBER 31, 2005**

	<b>MARKET VALUE</b>	<b>PERCENTAGE OF TOTAL ASSETS</b>	<b>PERCENTAGE ALLOWED</b>
Cash	\$117,856	0.15%	100
Short Term	0	0.00%	100
Fixed Income	0	0.00%	40 - 80
Equities	0	0.00%	40
PRIT Cash Fund	99,367	0.13%	
PRIT Core Fund	<u>76,007,768</u>	<u>99.72%</u>	100
<b>GRAND TOTALS</b>	<b><u>\$76,224,991</u></b>	<b><u>100.00%</u></b>	

For the year ending December 31, 2005, the rate of return for the investments of the Dedham Retirement System was 12.74%. For the five-year period ending December 31, 2005 the rate of return for the investments of the Dedham Retirement System averaged 6.95%. For the twenty-one year period ending December 31, 2005, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Dedham Retirement System was 11.17%.

**Dedham Retirement System**  
**SUPPLEMENTARY INVESTMENT REGULATIONS**  
**FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

The Dedham Retirement System has no supplemental investment regulations on file with PERAC.

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all Dedham Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The Dedham Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

October 2, 1985

- That every new employee who works for the Town of Dedham be informed in writing regarding creditable service. Service shall be computed as follows:
- The members working up to, 20 hours per week - 50%
- 25 hours per week - 75%
- in excess of 25 hours per week - 100%

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **NOTE 3 -SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)**

###### **February 9, 2000**

(1) As of January 1, 2000 eligibility for membership in the Town of Dedham Contributory Retirement System for individuals whose employment commenced on or after January 1, 2000 shall be based upon regular employment of not less than 20 hours per week per calendar year (1040 hours) or 20 hours per week per school year (800 hours).

(2) An employee, who is employed at least 20 hours per week on a permanent basis, shall become a member of the System with creditable service prorated to 37 ½ hour per week as full-time employment.

###### **January 5, 2001**

Employees in permanent positions who work the maximum number of hours established for the position as certified by the Treasurer, Department Head or Board of Selectmen which is equal to or exceeds 20 hours per week or a minimum of 800 hours in a calendar year for at least one (1) calendar year and have met all applicable requirements for membership in the system shall receive full-time credit for that employment as long as the member remains in that position.

If the employee changes positions within the town or accepts a position with a public employer which would make the employee eligible for membership in a G.L. c. 32 retirement system, the creditable service earned in the prior position will be calculated on a prorated basis using an equation established by comparing the number of actual hours worked into the 37 1/2 hours per week rationale for the rule.

The Board has adopted the following travel supplemental regulations under the provisions of M.G.L. c.7 § 50 and M.G.L. c.32 § 21 (4) on:

###### **October 14, 2003**

1. Travel Routing Criterion: No First Class Accommodations
2. Authorization for and rules on rental car usage: no rental car usage allowed.
3. The rate of reimbursement for personal vehicle use will be prevailing IRS rate.
4. The maximum daily reimbursement for meals not to exceed \$75.00.
5. Authorization for one board credit card to be used for official Board business only.

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five-person Board of Retirement consisting of the Director of Finance who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Mariellen Murphy

Appointed Member: John W. Fontaine, Jr.                      Term Expires: Indefinite

Elected Member: June Rosado                                      Term Expires: 12/18/07

Elected Member: John Maloney                                      Term Expires: 12/18/08

Appointed Member: Ronald Pucci                                      Term Expires: 1/1/09

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$50,000,00
Elected Member:	)	Fiduciary Liability
Appointed Member:	)	\$1,000,00
Staff Employee:	)	Commercial Crime-Employee Dishonesty

## Dedham Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants as of January 1, 2006.

The actuarial liability for active members was	\$41,485,797
The actuarial liability for Retiree,Inactive,Survivor,and Beneficiary was	47,837,674
The total actuarial liability was	<b>89,323,471</b>
System assets as of that date were	<u>70,287,535</u>
The unfunded actuarial liability was	<b><u>\$19,035,936</u></b>
The ratio of system's assets to total actuarial liability was	78.7%
As of that date the total covered employee payroll was	\$17,182,174

The normal cost for employees on that date was 7.9% of payroll

The normal cost for the employer was 5.8% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 5.00% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2006

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2006	\$ 70,287,535	\$ 89,323,471	\$ 19,035,936	78.7%	\$ 17,182,174	110.8%
1/1/2004	\$ 61,222,788	\$ 81,608,417	\$ 20,385,629	75.0%	\$ 14,858,630	137.2%
1/1/2003	\$ 54,144,000	\$ 77,109,000	\$ 22,965,000	70.2%	\$ 14,696,000	156.3%
1/1/2001	\$ 57,355,132	\$ 67,959,130	\$ 10,603,998	84.4%	\$ 13,273,000	79.9%
1/1/2000	\$ 57,128,000	\$ 65,662,000	\$ 8,534,000	87.0%	\$ 13,082,000	65.2%

## Dedham Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Superannuation	8	12	11	3	9	17	3	3	14	8
Ordinary Disability	1	0	0	0	0	2	0	0	0	0
Accidental Disability	1	1	0	0	1	0	0	0	0	1
<b>Total Retirements</b>	<b>10</b>	<b>13</b>	<b>11</b>	<b>3</b>	<b>10</b>	<b>19</b>	<b>3</b>	<b>3</b>	<b>14</b>	<b>9</b>
 Total Retirees, Beneficiaries and Survivors	 248	 256	 265	 275	 299	 302	 282	 294	 300	 305
 Total Active Members	 399	 376	 424	 426	 399	 424	 411	 519	 545	 556
 <b>Pension Payments</b>										
Superannuation	\$1,093,419	\$1,281,968	\$1,485,669	\$1,607,049	\$1,786,915	\$1,974,642	\$2,172,874	\$2,492,463	\$2,739,975	\$2,881,417
Survivor/Beneficiary Payments	55,737	55,558	180,124	209,296	238,774	244,681	261,211	255,166	275,561	276,491
Ordinary Disability	163,374	176,839	170,326	156,525	171,766	170,351	174,850	169,099	209,409	212,452
Accidental Disability	567,406	565,556	642,014	719,827	768,198	762,877	827,390	837,770	886,269	902,364
Other	<u>429,846</u>	<u>530,678</u>	<u>265,053</u>	<u>304,035</u>	<u>304,013</u>	<u>320,694</u>	<u>399,853</u>	<u>398,101</u>	<u>410,725</u>	<u>417,424</u>
<b>Total Payments for Year</b>	<b><u>\$2,309,782</u></b>	<b><u>\$2,610,599</u></b>	<b><u>\$2,743,186</u></b>	<b><u>\$2,996,732</u></b>	<b><u>\$3,269,666</u></b>	<b><u>\$3,473,245</u></b>	<b><u>\$3,836,178</u></b>	<b><u>\$4,152,599</u></b>	<b><u>\$4,521,939</u></b>	<b><u>\$4,690,148</u></b>

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